

## Message Text

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ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 COME-00 INT-08

SCEM-02 L-03 H-02 RSR-01 AGR-20 SCI-06 /138 W

----- 116209

R 191650 Z APR 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4624

INFO AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 1 OF 2 BONN 5814

E. O. 11652 C GDS

TAGS: PFOR, GW, US

SUBJECT: CHANCELLOR BRANDT VISIT TO WASHINGTON: ECONOMIC ISSUES

REF: BONN 5661, BONN 5614

1. SUMMARY. GIVEN THE COMPOSITION OF HIS DELEGATION ( REFTELS), THE CHANCELLOR IS NOT LIKELY TO BE WELL PREPARED FOR DISCUSSION OF ECONOMIC ISSUES, APART FROM OVERALL US/ EC RELATIONS AND PERHAPS OFFSET. WE CAN, HOWEVER, USE THE OPPORTUNITY TO MAKE SOME POINTS OURSELVES, PARTICULARLY REGARDING TRADE NEGOTIATIONS AND THE PRESIDENT' S ENERGY PROPOSALS. END SUMMARY.

2. THE CHANCELLORY HAS APPARENTLY OPTED FOR A SMALL DELEGATION, VERY THIN ON THE ECONOMIC SIDE, AND REQUESTED SCANT INPUT FROM THE ECONOMIC MINISTRIES. THIS MAY REFLECT BOTH THE SHORT LEAD TIME FOR THE VISIT AND THE CHANCELLOR' S OWN PURPOSES IN GOING TO WASHINGTON. THE PROSPECT THAT THE CHANCELLOR WILL, ON  
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ECONOMIC ISSUES, DO MORE LISTENING THAN SPEAKING  
NEED NOT DETER US FROM USING THE OPPORTUNITY TO MAKE  
SOME POINTS. WE RECOMMEND THAT THE FOLLOWING  
CONSIDERATIONS BE KEPT IN MIND IN PREPARING POSSIBLE  
ECONOMIC DISCUSSION ITEMS FROM THE U. S. SIDE.

#### US/ EC RELATIONS

3. THE QUEST FOR A BROADER AND MORE ORGANIZED US/ EC  
DIALOGUE HAS BEEN VERY MUCH THE PROJECT OF THE  
CHANCELLOR AND FOREIGN MINISTER SCHEEL. SCHEEL' S  
MORE RECENT COMMENTS ON THIS SUBJECT HAVE DOWNPLAYED  
THE NOTION OF INSTITUTIONALIZATION, BECAUSE HE  
PERCEIVES BOTH FRENCH OPPOSITION TO THE CONCEPT OF A  
COMPREHENSIVE DIALOGUE AND US DOUBTS THAT  
INSTITUTIONALIZATION IS DESIRABLE. THE CHANCELLOR  
OR SCHEEL MAY SEEK ANOTHER U. S. READING ON THIS. THEY  
MAY ALSO ASK WHETHER THE PRESIDENT INTENDS TO PAY A  
CALL ON THE COMMUNITY THIS FALL -- A PROSPECT THAT SOME  
FRG OFFICIALS HAVE RAISED REPEATEDLY.

4. WITH REGARD TO THE EC' S ASSOCIATION POLICIES,  
THE FRG HAS ADVOCATED IN BRUSSELS THE TYPE OF EC  
EVOLUTION TOWARD GENERAL EC PREFERENCES FOR LDC' S,  
WHICH WE FAVOR. WE ARE SKEPTICAL, HOWEVER, THAT EITHER  
THE CHANCELLOR OR SCHEEL ARE CONVINCED THAT U. S. CONCERN  
ON THIS ISSUE IS AS INTENSE AS WE SAY. ANY WASHINGTON  
COMMENT ON THIS ISSUE, THEREFORE, SHOULD BOTH NOTE THE  
HELPFUL FRG POSITION SO FAR AND STRESS THAT A GOOD  
DEAL MORE IS NEEDED ( IN THE WAY OF CHANGING THE  
COMMISSION' S CURRENT MEDITERRANEAN AND YAOUNDE III  
PROPOSALS) BEFORE U. S. CONCERNS ARE ALLEVIATED.

#### TRADE NEGOTIATIONS

5. THE FRG REACTION TO THE TRADE REFORM ACT HAS BEEN  
GENERALLY POSITIVE AND SOPHISTICATED IN ITS  
UNDERSTANDING OF THE REASONS WHY THE PRESIDENT HAS  
REQUESTED SUCH BROAD NEGOTIATING AUTHORITY.  
( AMBASSADOR HERMES, WHO WILL ACCOMPANY THE CHANCELLOR,  
IS AN EXCEPTION WHO SPEAKS MORE FOR HIMSELF THAN THE  
GOVERNMENT). NEVERTHELESS, THERE IS SOME CONCERN ABOUT  
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THE CONTINUING STRENGTH OF PRESSURES IN THE U. S. FOR  
RESTRICTIVE TRADE POLICY ACTION. WE WOULD EXPECT THE  
GERMAN SIDE TO

SEEK REASSURANCE THAT THE PRESIDENT INTENDS  
TO USE HIS REQUESTED AUTHORITY TO PRESS FOR  
LIBERALIZATION AND REMOVAL OF UNREASONABLE FOREIGN  
RESTRICTIONS.

REQUEST OUR BEST JUDGMENT ON THE PROSPECTS  
OF CONGRESSIONAL PASSAGE WITHOUT MAJOR RESTRICTIONIST  
AMENDMENTS.

6. REGARDING THE EC' S MANDATE, WE SHOULD RAISE WITH THE  
CHANCELLOR AND/ OR SCHEEL THE DESIRABILITY OF THIS  
MANDATE BEING AS FLEXIBLE AS POSSIBLE. SUCH  
FLEXIBILITY CORRESPONDS WITH THE FRG' S INTEREST IN  
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FM AMEMBASSY BONN  
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C O N F I D E N T I A L SECTION 2 OF 2 BONN 5814  
7. IN EXPLAINING OUR APPROACH TO NEGOTIATIONS, WE  
MIGHT KEEP IN MIND THAT FRG SOURCES HAVE A BASIC  
UNDERSTANDING FOR THE PRESIDENT' S NEED TO HAVE A BROAD  
MANDATE TO NEGOTIATE, BUT REACT BADLY TO THE SPECIFIC  
POINT THAT HE IS SEEKING NO MORE RESTRICTIONIST  
AUTHORITY THAN ALL MAJOR TRADERS NOW HAVE. ALONG THE  
SAME VEIN, FRG OFFICIALS CAN REACT VERY DEFENSIVELY TO  
A DISCUSSION OF AGRICULTURE THAT STARTS WITH THE  
GENERAL PROPOSITION THAT WORLD TRADE IN AGRICULTURAL  
GOODS SHOULD BE SUBJECTED TO MARKET FORCES. THEY CAN  
RESPOND, AND INCREASINGLY DO, TO THE POINT THAT  
LIBERALIZATION OF SPECIFIC ELEMENTS OF THE CAP,

PARTICULARLY IN THE FEED GRAIN- LIVESTOCK SECTOR, ARE NECESSARY TO OPEN THE OPPORTUNITIES FOR U. S. FARM EXPORTS TO THE EC THAT ARE AN ESSENTIAL PART OF A SUCCESSFUL NEGOTIATING OUTCOME.

ENERGY

8. THE CHANCELLOR HAS NOT YET HAD TO CONSIDER THE ENERGY PROBLEM, ALTHOUGH IT WILL SHORTLY LAND ON HIM IN THE FORM OF PAINFUL FRG BUDGET DECISIONS AND  
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POSSIBLE PROPOSALS FOR EC MARKET ORGANIZATION WHICH WOULD PUT MUCH OF THE PRICE OF ADJUSTMENT AND FINANCING ON THE FRG. THE ENERGY PROBLEM, HOWEVER, IS THE TYPE OF ECONOMIC ISSUE HE CAN COMPREHEND AND SEIZE UPON. WE, THEREFORE, HAVE AN OPPORTUNITY TO IMPRESS UPON THE CHANCELLOR OUR MESSAGE ON INTERNATIONAL COOPERATION. IN APPROACHING THE CHANCELLOR ON THIS, WE BELIEVE WE SHOULD AVOID ANY IMPLICATION THAT WE EXPECT OR DESIRE THAT OUR EUROPEAN INTERLOCUTOR ON ENERGY COOPERATION WILL BE THE COMMUNITY AS OPPOSED TO ITS MEMBER STATES. THE CHANCELLOR AND HIS PARTY WILL NOT BE IN POSITION TO DISCUSS ENERGY IN ANY DEPTH. WE SUGGEST THAT THE US SIDE INDICATE WILLINGNESS TO PURSUE THIS SUBJECT WITH ECONOMICS MINISTER FRIDERICH.

URANIUM ENRICHMENT

9. THE FRG CLEARLY APPRECIATES THE USG RESPONSIVE ATTITUDE ON ENRICHMENT SERVICES, AS REPORTED IN BONN 5581 AND BONN 4970. IT BELIEVES, HOWEVER, THAT NEW US TERMS AND CONDITIONS AS AMENDED STILL REPRESENT A BURDEN ON THE NUCLEAR INDUSTRY. THE RESULTS OF THE JCAE HEARINGS ON APRIL 18 SHOULD DETERMINE WHETHER THE CHANCELLOR WOULD BE BRIEFED TO MENTION THIS TOPIC. BRANDT MIGHT ALSO WISH TO ASSURE THE USG THAT THE FRG IS USING DUE CAUTION IN AUTHORIZING EXPLORATORY NON- GOVERNMENTAL NEGOTIATIONS WITH THE USSR FOR SMALL TEST- CASE DELIVERY OF URANIUM ENRICHMENT SERVICES.

OFFSET

10. WE EXPECT THAT THE CHANCELLOR WILL MAKE POSITIVE NOISES ABOUT A NEW OFFSET AGREEMENT. GIVEN THE DIFFICULTIES THAT WILL ARISE IN NEGOTIATIONS, HOWEVER, THE U. S. SIDE SHOULD SPEAK TO THIS ISSUE IN ANY EVENT, OR THE FRG SIDE MAY ASSUME THAT OFFSET IS A LOW PRIORITY ITEM FOR THE U. S. IF WE HAVE ANY IMPORTANT

NEW CONCEPTS OR AUGMENTED REQUESTS TO PUT FORWARD,  
DISCUSSION AT THE HIGHEST LEVEL IS INDICATED. IN THIS  
CONNECTION, WE SHOULD NOTE THAT RECENT SOUNDINGS IN  
THE FOREIGN OFFICE ( SEE SEPTTEL) HAVE BEEN FAIRLY  
PESSIMISTIC IN TERMS OF DEVELOPING COMPONENTS OF AN  
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OFFSET AGREEMENT. AMBASSADOR HERMES, THE PROBABLE FRG  
OFFSET NEGOTIATOR, WILL ACCOMPANY THE CHANCELLOR TO  
WASHINGTON.

MONETARY NEGOTIATIONS

11. AT THIS POINT WE HAVE NO INDICATION THAT THE  
CHANCELLOR WILL RAISE INTERNATIONAL MONETARY ISSUES  
( OR HAVE ANY FINANCIAL EXPERTISE IN HIS PARTY). WE  
WILL REPORT FURTHER SHOULD THIS CHANGE. HILLENBRAND

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\*\*\* Current Classification \*\*\* CONFIDENTIAL

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